

**TABLE OF CONTENTS**

**CHAPTER 6 IRREGULARITIES IN DISBURSING OFFICER ACCOUNTS**

0601 Irregularities

0602 Accounting for Irregularities

0603 Major Physical Losses of Funds

0604 Minor Physical Losses of Funds

0605 Illegal, Incorrect, or Improper Payment Losses

0606 Overages of Public Funds

0607 Investigation of Irregularities

0608 Statute of Limitations on Illegal, Incorrect, or Improper Payments

0609 Relief of Liability for Irregularities

0610 Requests for Relief

★ Figure 6-1. Loss of Funds Overview

Figure 6-2. Summary of Actions on Physical Loss of Funds

★ Figure 6-3. Summary of Actions on Loss by Illegal, Incorrect, or Improper Payment

Figure 6-4. Sample Department of Defense (DD) Form 2667, “Subsidiary Accountability Record” (Cumulative Loss of Funds)

Figure 6-5. Sample DD Form 2667, “Subsidiary Accountability Record,” (Quarterly Minor Loss Report)

Figure 6-6. Sample Transmittal Letter for Quarterly Minor Loss Report

Figure 6-7. Sample DD Form 2667, “Subsidiary Accountability Record” (Overage of Funds Record)

## CHAPTER 6

IRREGULARITIES IN DISBURSING OFFICER ACCOUNTS0601 IRREGULARITIES

060101. General. Irregularities are categorized as physical losses of funds; illegal, incorrect, or improper payments; or overages of funds. Physical losses of funds are segregated further by major losses and minor losses. A major physical loss of funds is a loss of \$750 or more, or any physical loss where there is evidence of fraud within the accountable function, regardless of dollar amount. A minor physical loss of funds is a loss of less than \$750 without any evidence of fraud internal to the accountable function. Any person who believes that an individual entrusted with public funds is misusing those funds shall notify the commander having jurisdiction over the alleged offender of the alleged misuse. Action then shall be taken as prescribed in this chapter.

060102. Responsibilities of the Disbursing Officer (DO). If a DO has knowledge of, or reason to believe that, a deputy DO or any other person to whom funds have been entrusted has lost or misused, or may be misusing, those funds, then the DO shall report such information to the commander exercising immediate jurisdiction over the alleged offender. When a DO discovers an irregularity in the disbursing account, the DO immediately shall verify that all transactions have been properly posted. The DO also shall verify the accuracy of all totals since the date of last balancing on the Daily Statement of Accountability (DD Form 2657) and each deputy's, agent's, or cashier's Daily Agent Accountability Summary (DD Form 2665). The DO then shall verify by actual count that the total of all cash and documents held as cash by the DO and all deputies, agents, and cashiers is in agreement with the amount shown as being on hand on the DD Forms 2657 and 2665. If the irregularity is not resolved within 24 hours of discovery, then the DO shall report the irregularity to the commander and request that the commander direct an immediate audit of all disbursing assets by a cash verification team to confirm that an irregularity has occurred. In all cases, the report to the commander shall be in writing. The commander shall be advised immediately of the cash verification team's findings. Failure to report an irregularity to the commander may contribute to an unfavorable decision with regard to relief of the DO should the DO later request relief of liability. See Figure 6-1 for an overview of loss of funds processing.

★ 060103. Responsibilities of the Commander. Except as provided in paragraphs 060401 for minor physical losses, 060502 for erroneous payments, and 060603 for overages, the commander, upon receipt of information from the DO or other individual that an irregularity has occurred, shall take action to report irregularities through the chain of command to the Defense Finance and Accounting Service (DFAS), Disbursing and Cash Management Office (DCMO) (Code DBD). The report, when required, shall not be classified or made in message form unless unusual circumstances exist.

A. Commander's Report of Irregularity. Information furnished in the report shall include:

1. The specific type of irregularity
2. All known circumstances (including the date the irregularity occurred or was discovered)
3. The dollar amount of the irregularity
4. The identity of the accountable individual(s) by name, rank or grade, and accountable position
5. The type of investigation that has been or shall be convened (see section 0607 of this chapter)
6. The estimated completion date of the investigation, if applicable
7. The status of any recovery action in progress or contemplated.

In the case of an irregularity in an imprest fund, the report also shall include the authorized maximum amount of the fund. (See Figure 6-2 for a summary of actions to be taken when an irregularity caused by a physical loss of funds is discovered; see Figure 6-3 for a summary of actions to be taken when an irregularity caused by an illegal, incorrect, or improper payment is discovered).

★ 060104. Reporting Irregularities to the General Accounting Office (GAO). As required by Title 7 of the U.S. General Accounting Office Policy and Procedures Manual (reference (n)), the DCMO (Code DBD) is responsible for preparing a report to GAO on each irregularity that affects the accounts of disbursing officers. If the irregularity is resolved within 2 years after the date the accounts are made available to the GAO for audit, then reporting the irregularity to GAO is not necessary. Reports to the GAO required by this paragraph should be addressed to: Assistant Comptroller General, Accounting and Financial Management, ATTENTION: Accounting Systems Audit, U.S. General Accounting Office, 441 G Street, NW, Washington, DC 20548. The report shall contain the following information:

- A. A detailed statement of facts of the case, including the type of irregularity, date, amount, and names and positions of the accountable individual(s) involved
- B. A reference to pertinent supporting documents, such as pay records, contracts, and vouchers
- C. A description of how the irregularity occurred and how it affected the accountable officer's account
- D. Adequate description of procedural deficiencies, if known, that caused the irregularity and the corrective action taken or to be taken

- E. Information on any recoupment already made or being considered.

## 0602 ACCOUNTING FOR IRREGULARITIES

060201. General. Specific instructions for recording and clearing irregularities on the Statement of Accountability, Standard Form (SF) 1219, are provided in Chapter 19 of this volume. In addition, the DO shall use the Subsidiary Accountability Record (DD Form 2667) to maintain a record of all physical losses and overages of funds discovered in the disbursing officer's account. Separate DD Forms 2667 shall be maintained for physical losses and overages of funds. Physical losses and overages incurred by deputies, agents, cashiers, imprest fund cashiers, and change fund custodians shall be included on the DD Form 2667. The DD Form 2667 maintained for physical losses shall be balanced and reconciled to the DD Form 2657 daily. The DD Forms 2667 shall be kept on file with the DD Form 2657 as a subsidiary record supporting the DD Form 2657. If more than one physical loss or overage occurs during a single business day because more than one deputy, agent, cashier, or change fund custodian is used, each loss or overage shall be accounted for individually as prescribed in this chapter. When a DO is relieved from disbursing duty (with or without a successor), any unresolved irregularity shall be handled as prescribed in Chapter 22 of this volume. Pecuniary liability for an irregularity cannot be transferred to the relieving DO; however, a successor DO may assume responsibility for the value of dishonored personal checks when action to request removal of the irregularity has been taken as required by Chapter 4 of this volume. This assumption of responsibility shall in no way impose any pecuniary responsibility for the irregularity on the successor nor relieve the officer in whose account the irregularity occurred from pecuniary responsibility. Both the former and relieving DOs shall be responsible for taking any necessary actions to resolve the irregularity.

060202. Preparation of DD Form 2667 as a Cumulative Record of Physical Losses. List each physical loss occurring each day on the DD Form 2667. (See Figure 6-4 for an example of a DD Form 2667 prepared as a cumulative record of physical losses.) Complete the form as follows:

- A. Item 1: DSSN. Enter the DSSN
- B. Item 2: Purpose of Record. Enter "Cumulative Losses of Funds"
- C. Item 3: Name of Disbursing Officer. Enter the DO's name and rank
- D. Item 4: Address. Enter the DO's organization and address
- E. Item 5: Date. For each loss of funds, enter the date the loss was picked up in the DO's accountability
- F. Item 6: Reference or Explanation. For each loss, enter a brief description of the loss, including identification of the person responsible for the loss or overage (if known)

G. Item 7: Increase. For each loss, enter the amount of the loss

H. Item 8: Decrease. This item is used to record recovery or recoupment of physical losses and to record relief of liability for the losses, if granted

I. Item 9: Balance. Enter the cumulative total of the losses shown in the record; this balance must be in agreement with DD Form 2657, line 7.3, Loss of Funds at all times.

#### 0603 MAJOR PHYSICAL LOSSES OF FUNDS

##### 060301. General

★ A. Major Physical Losses. A major physical loss is a loss of \$750 or more and includes losses of public funds, records (such as debit vouchers, deposit tickets, payment vouchers, etc.) or papers, by fire, flood, earthquake, action by a hostile force, airplane crash, shipwreck, explosion, other losses during shipment not covered by the Government Losses in Shipment Act (see Chapter 5 of this volume), unexplained losses, and other similar occurrences. A loss resulting from a bank failure also would be treated as a physical loss. Losses resulting from wrongful conduct, such as theft, robbery, and burglary, are treated as major physical losses regardless of the amount involved. Additionally, losses resulting from wrongful conduct, such as theft, robbery, burglary, embezzlement, or fraudulent acts of disbursing personnel, acting alone or in collusion with others, are treated as major physical losses regardless of the amount involved. Generally, gains and losses resulting from accommodation exchange transactions are not treated as physical losses or overages of public funds. Refer to Chapter 13 of this volume for procedures to process accommodation transaction gains and losses. Normally, dishonored checks received as an accommodation exchange are treated and processed as accommodation losses (see Chapter 4 of this volume). If, however, improper disbursing office actions are associated with the dishonored checks (e.g., check cashing for unauthorized personnel), then the dishonored checks are treated as illegal, incorrect, or improper payments.

B. Reporting a Major Physical Loss. Immediately upon discovering a major physical loss, the DO shall take the actions prescribed in this chapter to verify all transactions and the accuracy of all totals on the DD Forms 2657 and 2665 since the last balancing. The DO then shall verify by actual count that the total amount of all cash and documents held as cash is in agreement with the amounts shown on the DD Forms 2657 and 2665. If the loss is not resolved within 24 four hours of discovery, then the DO shall make a written report of the loss to the commander and request the commander to direct an immediate audit of all disbursing assets by the cash verification team.

C. Investigating a Major Physical Loss. Every major physical loss shall be investigated. Normally, the commander shall convene the appropriate type of investigation and appoint the investigating officer(s). In those instances where the commander is not authorized to convene an investigation, the commander shall request an investigation through the chain of

command. The officer(s) appointed to conduct the investigation shall make a thorough investigation as prescribed in section 0607 of this chapter.

D. Recording a Major Loss of Funds. All physical losses (whether major or minor) are recorded on the DD Form 2657 by increasing line 7.3 (or 9.3), "Loss of Funds," and decreasing the appropriate cash on hand line. For example, if a cash count reveals U.S. currency on hand to be short \$100, decrease line 6.2A and increase line 7.3. To record a loss on the DD Form 2657, it may be necessary to prepare a collection voucher to transfer the amount of a fraudulent payment (where the fraud was perpetrated by someone within the disbursing office) back into the appropriation from which the payment was disbursed. This transaction is recorded as an increase to DD Form 2657 line 4.1B, "Loss-Refunds," and to line 7.3, "Loss of Funds." Support the entry on DD Form 2657 by recording the loss on the DD Form 2667, as prescribed in paragraph 060202, above. Use a separate DD Form 2667 to support line 9.3, "Loss of Funds," on the DD Form 2657. Do not offset individual losses and overages unless it is obvious that they are related and the loss is recorded before the overage is recorded. Continue to show all losses on the DD Form 2657 and the SF 1219 until recovery or recoupment is made, or until relief of liability is granted for the loss.

060302. Major Change Fund Physical Losses. The DO (or authorized agent) advances change funds to a change fund custodian by authority of the commander. After the advance, the change fund custodian is liable for any losses of funds. Even though the funds are no longer under the direct control of the DO (or agent), the DO (or agent) remains accountable for the fund and is jointly and severally liable for any loss unless relieved of pecuniary liability under section 0609.

A. Classification of Change Fund Losses. No loss from a change fund is considered to have occurred when a cash shortage in the change fund is made whole from sales receipts (property) that are large enough to absorb the loss; the loss is not considered a DO loss of funds. When a cash shortage in a change fund only can be made partially whole from sales receipts (property), the balance of the shortage is considered a loss from the change funds. With some exceptions, a loss of all activity funds must be considered a loss, both of sales receipts and the change fund. For example, if an after-hours theft of a change fund occurs and sales receipts already have been deposited or turned over to the DO or authorized agent, then a change fund loss is considered to have occurred. In such cases, a written report is required to justify the reported change fund loss rather than a loss of sales receipts.

B. Sales Receipt Losses. Generally, a report of survey is initiated for the loss of sales receipts. Specific actions required for sales receipt losses are contained in the regulations governing the sales activity operation.

★ C. Combined Change Fund and Sales Receipt Losses. If the loss includes all or a portion of the change fund (\$750 or more) and sales receipts, then the commander shall take the actions specified in paragraph 060103, above, to report the loss and convene or request the appropriate investigation. Information to the effect that investigation shall proceed in conjunction with report of survey procedures shall be included in the report. The commander

shall initiate a report of survey for the loss of sales receipts. The report of survey investigation, plus any other investigations (e.g., Federal Bureau of Investigation (FBI)), shall cover the facts and circumstances surrounding the entire loss (change fund and sales receipts). The report of survey determines liability only for the loss of sales receipts. Since the same set of facts and circumstances relates to both the losses of sales receipts and change funds, a separate investigation is not required for the loss of the change fund. The commander shall send a summary report of the above investigation to the DCMO (Code DBD). The report also shall include:

1. A certification that the DO (or authorized agent) advanced the change fund per this volume
2. A statement of whether the safeguarding requirements prescribed in this volume were met (and if not met, the reason(s) why the requirements were not met)
3. A determination by the commander, concerning the change fund, that satisfactory evidence exists to support a recommendation for relief of the DO or any other person involved, or a finding of pecuniary liability against the DO or any other person involved
4. A copy of the report of survey (and all attachments).

D. Recording a Change Fund Loss. Upon discovery of a physical loss of all or a portion of the change fund, the change fund custodian shall make a return (on paper only) of the amount of the loss using the Statement of Agent Officer's Account (DD Form 1081). Upon receipt of the DD Form 1081, the DO shall record the loss of the change fund on the DD Form 2667. The DO also shall record the loss on the DD Form 2657 as a decrease to line 6.5, "Funds with Agents," and increase line 7.3. This bookkeeping entry does not relieve the change fund custodian of liability for the amount of the loss.

060303. Major Physical Losses by Deputies, Disbursing Agents, Paying Agents, Cashiers, and Collection Agents. Agents are pecuniarily liable for all funds entrusted to them. The DO, however, maintains overall responsibility for the funds and is jointly and severally liable for any agent losses unless relieved of pecuniary liability under section 0609. Since agent losses are essentially DO losses, the agent shall report losses to his or her principal immediately upon discovery. The agent shall not delegate or reassign this responsibility. Agents operating on another installation shall report losses to the principal DO through his or her immediate commander. A subagent losing funds advanced by another agent shall report losses to the principal DO through his or her immediate commander and the agent who advanced the funds. The agent who advanced the funds shall notify his or her immediate commander and the principal DO. In all cases, the DO shall notify his or her commander of the loss. If the loss is \$750 or more, then the agent's commander shall take the actions specified in paragraph 060103 above to report the loss and convene or request the appropriate investigation. The agent incurring the loss of funds shall record the loss on the DD Form 2665 and prepare a turn-in to the principal using the DD Form 1081 (which includes the loss of funds) as required by Chapter 19 of this volume. The requirement to make an immediate turn-in to the principal applies in all

cases, including those instances where the agent has been authorized to make turn-ins on other than a daily basis. Upon receipt of the turn-in, the DO shall record the loss on the DD Form 2667 and decrease the appropriate cash on hand line of the DD Form 2657 and increase the entry on line 7.3. This bookkeeping entry does not relieve the agent of liability for the amount of the loss. Investigatory procedures included in this chapter are applicable to agent losses.

060304. Major Physical Losses by Imprest Fund Cashiers. As with other agents of the DO, imprest fund cashiers are pecuniarily liable for the loss of funds entrusted to them. The DO still maintains overall responsibility for the funds and is jointly and severally liable for any imprest fund losses unless relieved of pecuniary liability under section 0609. Immediately upon discovery of a loss in an imprest fund, the imprest fund cashier shall report the loss to the DO (or authorized agent) who advanced the funds through the commander who approved establishment of the fund. If the loss is \$750 or more, then the commander shall take the actions specified in paragraph 060103, above, to report the loss and convene or request the appropriate investigation. Based on the information contained in the imprest fund cashier's report of loss and the amount of the loss, volume of imprest fund transactions, and frequency of replenishment, the commander shall determine whether the DO should provide an additional advance in the amount of the loss to restore the imprest fund to its full operational level.

A. If the commander determines the additional advance is necessary, then he or she shall notify the DO of the requirement in writing. The notification shall include information as to whether the imprest fund has been (or will be) turned over to the alternate imprest fund cashier pending completion of the required investigation(s) and instructions to provide the additional advance to the primary or the alternate imprest fund cashier, as appropriate. Restoring the imprest fund to its full operational level does not increase the value of the imprest fund. For example, if the amount of the fund is \$10,000 and a loss of \$1,000 occurs, then advancing the \$1,000 to restore the fund to its full operational level does not increase the fund to \$11,000. The DO shall make the advance under the same guidelines as provided in Chapter 2 of this volume except that the amount of the additional advance shall not be recorded as an increase to DD Form 2657 line 6.5, "Funds with Agents." In this case, the DO shall record the loss on the DD Form 2667 and shall record the additional advance on line 7.3, "Loss of Funds." As with a routine imprest fund advance, the imprest fund cashier (or alternate) shall provide the DO with a signed DD Form 1081 upon receipt of the additional advance. Restoration of the imprest fund to its full operational level does not relieve the imprest fund cashier of liability for the loss of funds.

★ B. If the commander determines that it is not necessary to restore the imprest fund to its full operational level, then the imprest fund cashier shall prepare a return (on paper only) of the amount of the loss using the DD Form 1081. Upon receipt of the DD Form 1081, the DO shall record the loss on the DD Form 2667 and decrease DD Form 2657 line 6.5, "Funds with Agents," and increase line 7.3, "Loss of Funds." In addition, the imprest fund cashier shall account for the loss on the Optional Form (OF) 1129 (the first OF 1129 submitted after the loss is discovered and all subsequent OF 1129 submitted until the loss is recovered, recouped, or relief of liability is granted). On the OF 1129, the loss of funds shall be entered on the line titled "Difference" in the "Status of Funds" section. A notation similar to the following shall be typed



on the face of the OF 1129 to identify the entry: “Loss of funds reported (enter date), not restored.” These actions do not reduce the authorized operational level of the imprest fund. They are bookkeeping transactions to account properly for and track the loss of funds. When the loss is recovered or recouped, or when relief of liability is granted, the DO shall clear the loss of funds from the DD Forms 2667 and 2657, line 7.3, “Loss of Funds,” based on the instructions provided by the DCMO (Code DBD). An advance (to restore the funds to its full operational level) shall be provided to the imprest fund cashier under normal procedures described in Chapter 2 of this volume. The imprest fund cashier shall give the DO a DD Form 1081 upon receipt of the additional advance.

060305. Major Counterfeit Currency Physical Losses. Counterfeit currency or coinage accepted in conjunction with official disbursing office business transactions are processed as physical losses of funds. The DO shall record the amount of the loss on the DD Forms 2667 and 2657, line 6.2A, “U.S. Currency/Coinage on Hand” (or 6.2B, “Foreign Currency/Coinage on Hand”) by the amount of the counterfeit currency and increase line 7.3, “Loss of Funds.” Although most counterfeit currency losses are minor, major losses are possible. If \$750 or more of counterfeit currency is received during a single business day, or evidence of fraud in the disbursing office is associated with the receipt of any amount of counterfeit currency, then the loss shall be processed as a major physical loss of funds.

060306. Major Loss of Original Vouchers. The DO is pecuniarily liable for the amount of the payment when a payment voucher becomes lost; however, the original and all copies of the voucher would have to be lost. If the original voucher is lost, and the DO’s retained copy (and the retained supporting documents) is available, then the copy may be stamped as a certified copy of the original voucher. There are times, however, when only the original voucher may suffice to support a payment. For example, the absence of a signature acknowledging receipt of a cash payment may negate the validity of the certified copy. The same is true when a payee denies receipt of a cash payment and there is no original voucher (with the payee’s signature) to prove the payment was properly made. The DO will be unable to prove that a proper payment has taken place and may be required to repay the payee. If the net pay amount of the voucher is \$750 or more, or if internal disbursing office fraud is associated with the loss of the voucher, process the loss as a major loss of funds and record the loss on the DD Forms 2667 and 2657, as prescribed in subparagraph 060301.D, above.

060307. Major Loss of Documentation Supporting SF 1219 Receivables and Deposit Fund Account Balances. A physical loss of funds can occur whenever a DO is unable to collect a receivable report on the SF 1219 because of the loss of documentation supporting the receivable. A physical loss also can occur if open debit items within deposit fund accounts (e.g., \*\*F3880) cannot be cleared because of the loss of supporting documentation. If the amount of the item (for which supporting documentation has been lost) is \$750 or more, or internal disbursing office fraud is associated with the loss of the documentation, then the loss shall be handled as a major loss of funds.

0604 MINOR PHYSICAL LOSSES OF FUNDS

★ 060401. General. The DO is pecuniarily liable for all minor losses (under \$750, with no fraud involved) that occur in the DO's account. The DO, however, may request relief of liability for minor losses by submission of a quarterly minor loss report to the DCMO (Code DBD). Unless there is an indication that fraud is involved with the loss, it is not necessary for the commander to report a minor loss of funds through the chain of command to the DCMO (Code DBD). The DO shall notify the commander in writing whenever a minor loss of funds occurs. All minor losses over \$300 included on the quarterly report shall be supported by a separate investigative report prepared by someone outside the disbursing office. Investigative comments associated with minor losses of \$300 or less shall be made by the DO and submitted in support of the associated line items on the quarterly report.

060402. Processing the Quarterly Minor Loss Report

A. Documentation of DO Minor Losses. Upon discovery of a physical loss of funds, the DO shall record the loss on the cumulative DD Form 2667 maintained in accordance with paragraph 060202, above, and the DD Form 2657 by reducing the applicable cash on hand line and increasing the loss of funds line (7.3 or 9.3, as appropriate). The loss of funds also shall be recorded on a separate DD Form 2667 maintained specifically for minor physical losses of funds. See subparagraph 060402.D, below.

B. Documentation of Agent Minor Losses. Physical losses of funds incurred by deputies, disbursing agents, cashiers, paying agents, collection agents, imprest fund cashiers, or change fund custodians are identified as physical losses within the individual agent's accountability documents. A turn-in of the loss shall be made to the DO (just as if the lost funds were being returned to the DO). The DO then shall reduce the DD Form 2657 line 6.5 for that particular agent and increase line 7.3. The DO shall record the loss on the cumulative DD Form 2667 maintained in accordance with paragraph 060202, above, and also record the loss on the DD Form 2667 that is maintained for minor losses of funds in accordance with subparagraph 060402.D, below.

C. Investigation of Minor Losses. Written investigatory comments are required for every physical loss of funds regardless of the amount. There is a procedural difference, however, in the investigatory requirements for minor losses of \$300 or less and for minor losses over \$300. If fraud (internal to the accountable function) is discovered in conjunction with any physical loss of funds, the loss shall be processed as a major physical loss of funds.

1. Minor Losses of \$300 or Less (No Fraud). For minor losses of \$300 or less, the DO shall conduct the investigation and render the written investigatory report. If the loss is attributable to the DO, then the investigation shall be conducted, and the written report prepared, by the primary deputy DO. Under no circumstances shall the individual incurring the loss prepare his or her own investigatory report. In all cases, the investigatory report shall be signed by the investigating officer and submitted in support of the quarterly minor

loss report. The report may be prepared in letter or memorandum format and shall contain the following information and statements:

- a. Name, grade, location, and capacity (e.g., deputy, cashier, disbursing agent) of the individual who incurred the loss
- b. Name, grade, and capacity (e.g., disbursing officer, deputy, disbursing agent) of the person who advanced the funds
- c. Amount of the loss
- d. A description of how the loss occurred
- e. A statement whether the loss is a physical loss (as contrasted with a loss from an illegal, improper, or incorrect payment or a loss from an accommodation transaction)
- f. A statement whether there is evidence of fraud, intent to defraud, or other misconduct on the part of the accountable individual
- g. A statement whether, considering the circumstances involved, the accountable individual was functioning in a prudent manner and in accordance with applicable regulations and directives
- h. A statement whether the loss occurred while the accountable individual was acting within the individual's line of duty
- i. A statement whether the presumption of negligence is refuted by the specific facts established by the investigation
- j. The following investigating officer's recommendation, as appropriate: "I do/do not recommend relief from pecuniary liability."
- k. The signed certification of the disbursing officer: "I have counseled (name of accountable individual) regarding appropriate corrective measures to prevent recurrence of losses of this nature, and I have reviewed the applicable regulatory procedures regarding small losses of funds."
- l. The signed statement of the accountable individual(s): "I have reviewed this investigative report and have/have not attached additional documentation or evidence which I consider pertinent to this loss."

2. Minor Losses Over \$300 (No Fraud). Someone other than the DO or disbursing office personnel (e.g., a member of the cash verification team) shall be appointed by the commander to conduct the investigation of minor losses over \$300. The individual

appointed to investigate the loss should have knowledge of disbursing office operations, especially of the required internal controls, pertinent laws, and applicable directives. In all cases, the investigatory report shall be signed by the investigating officer and submitted in support of the quarterly minor loss report. The investigatory report may be prepared in letter or memorandum format and shall contain the following information and statements:

- a. Name and location of the DO or other agent where the loss occurred
- b. Name, grade, and capacity (e.g., disbursing officer, deputy, disbursing agent) of the person who advanced the funds
- c. Amount of the loss
- d. Cause of the loss, or whether the cause cannot be explained
- e. Time, date, and place where the loss was discovered
- f. Name, grade, and SSN of the individual directly responsible for custody of the funds at the time of loss
- g. Capacity in which the funds were held (e.g., cashier, change fund custodian, imprest fund cashier)
- h. A statement whether the loss occurred in conjunction with valid disbursing operations
- i. Identification of regulatory provisions pertinent to the loss and whether they were complied with
- j. A comment on specific internal controls which might have prevented the loss, and the extent to which they were followed
- k. In general terms, a description of the actions the investigating officer took to be satisfied regarding whether fault was a cause for the loss
- l. A statement as to whether the loss occurred without fault or negligence by the accountable individual
- m. The following investigating officer's recommendation, as appropriate: "I do/do not recommend relief from pecuniary liability."
- n. The signed certification of the disbursing officer: "I have counseled (name of accountable individual) regarding appropriate corrective measures to prevent

recurrence of losses of this nature, and I have reviewed the applicable regulatory procedures regarding small losses of funds.”

o. The signed statement of the accountable individual(s): “I have reviewed this investigative report and have/have not attached additional documentation or evidence which I consider pertinent to this case.”

D. Preparation of DD Form 2667 as a Quarterly Minor Loss Report. Record all unrecovered minor losses occurring during each calendar quarter on a separate DD Form 2667 from the DD Form 2667 prepared to record and accumulate losses (see Figure 6-5). Complete the DD Form 2667 for the quarterly minor loss report as follows:

1. Item 1: DSSN. Enter the DSSN
- ★ 2. Item 2: Purpose of Record. Enter “Minor Loss of Funds Report” and the calendar quarter (for example, January 1 through March 31, 2003) for which the DD Form 2667 is being prepared; include the phrase “Negative Report” in item 2 when a negative report is submitted
3. Item 3: Name of Disbursing Officer. Enter the DO’s name and rank
4. Item 4: Address. Enter the DO’s organization address
5. Item 5: Date. For each of the minor losses included, enter the date each loss was picked up in the DO’s accountability
6. Item 6: Reference or Explanation. For each of the minor losses included, enter a brief description of the loss, together with identification of the person responsible for the loss (if known)
7. Item 7: Increase. For each of the minor losses included, enter the amount of the loss
8. Item 8: Decrease. This item is not used on the quarterly minor loss report
9. Item 9: Balance. Enter the total of all losses shown in the report.

E. Assembly of the Complete Quarterly Minor Loss Report. The DO shall assemble the report in the following order:

1. A cover transmittal letter similar to the example provided in Figure 6-6

2. The DD Form 2667 itemizing each minor loss included in the report

3. The written investigatory report for each loss (the investigatory reports should be arranged in the same order as the losses appearing on the DD Form 2667).

★ F. Submission of the Quarterly Minor Loss Report. Total the minor losses quarterly and whenever a DO is relieved from disbursing duty. Mail the quarterly report with all required supporting documentation to the DCMO (Code DBD) not later than the 5th workday following the end of the quarter or, upon the DO's relief from disbursing duty, not later than the 5th workday following the date of relief. Negative minor loss reports are required. When the report is submitted upon a DO's relief from disbursing duty, the transmittal letter shall contain the statement, "Submitted due to relief of the DO effective (enter date)." Provide one copy of the report and supporting documents to the commander and retain one copy.

★ G. Review of Quarterly Minor Loss Report. Upon receipt, the DCMO shall review the report package for such factors as completeness, validity and acceptability. If the investigatory comments are not considered adequate, then further information shall be requested from the DO. If the report package is complete, then it shall be reviewed and a recommendation made whether relief of liability should be granted or denied. The package then is routed to the DFAS-Kansas City Center, Office of General Counsel, for concurrence. Upon concurrence, the report package shall be forwarded to the DFAS Director for Finance (DFAS-HQ/F). The Director for Finance may request additional information, deny relief, or grant relief. If the Director for Finance grants relief for one or more of the losses in the report, then the DCMO shall provide instructions to the DO for removing of the loss(es) from the SF 1219. If the Director for Finance denies relief of liability for one or more of the losses included in the quarterly minor loss report, then the DO shall be advised of the determination. An adverse determination shall contain a recommendation that (one or more) accountable individuals involved with the loss are denied relief, if appropriate. Accountable individuals adversely affected by the decision shall be afforded the right to submit a rebuttal. The time period allowed for rebuttal shall not exceed 30 days. Rebuttals shall be submitted to the DCMO for review. Based on the additional information received, the DCMO shall make a recommendation to the Director for Finance whether to affirm or reverse the previous decision.

060403. Minor Change Fund Physical Losses. Follow the procedures in paragraph 060302, above. If a determination has been made that sales receipts (property) are not sufficient to absorb all or part of the loss, then the balance shall be treated as a loss of funds. Include these balances on the quarterly minor loss report if they are less than \$750 and there is no internal fraud associated with the loss. Reports and investigatory requirements prescribed in subparagraph 060402.C, above, also apply if the losses are less than \$750 and no internal fraud is associated with the loss.

060404. Minor Physical Losses by Deputies, Disbursing Agents, Paying Agents, Cashiers, and Collection Agents. Follow the procedures in paragraph 060303, above. Include on the quarterly minor loss report if the losses are less than \$750 and there is no internal fraud

associated with the loss. Reporting and investigatory requirements prescribed in subparagraph 060402.C, above, also apply if the losses are less than \$750 and no internal fraud is associated with the loss.

060405. Minor Physical Losses by Imprest Fund Cashiers. Follow the procedures in paragraph 060304, above. Include on the quarterly minor loss report if the losses are less than \$750 and there is no internal fraud associated with the loss. Reports and investigatory requirements prescribed in subparagraph 060402.C, above, also apply if the losses are less than \$750 and no internal fraud is associated with the loss.

060406. Minor Counterfeit Currency Physical Losses. Follow the procedures in paragraph 060305, above. Include on the quarterly minor loss report if the losses are less than \$750 and there is no internal fraud associated with the loss. Reports and investigatory requirements prescribed in subparagraph 060402.C, above, also apply if the losses are less than \$750 and there is no internal fraud associated with the loss.

060407. Minor Loss of Original Vouchers. Follow the procedures in paragraph 060306, above. Include on the quarterly minor loss report if the losses are less than \$750 and no internal fraud is associated with the loss. Reports and investigatory requirements prescribed in subparagraph 060402.C, above, also apply if the losses are less than \$750 and there is no internal fraud associated with the loss.

060408. Minor Loss of Documentation Supporting SF 1219 Receivables and Deposit Fund Account Balances. Follow the procedures in paragraph 060307, above. Include on the quarterly minor loss report if the losses are less than \$750 and there is no internal fraud associated with the loss. Reports and investigatory requirements prescribed in subparagraph 060402.C, above, also apply if the losses are less than \$750 and no internal fraud is associated with the loss.

#### 0605 ILLEGAL, INCORRECT, OR IMPROPER PAYMENT LOSSES

060501. General. Illegal, incorrect, or improper (erroneous) payment deficiencies may result from: overpayment to a payee (e.g., two or more payments to a payee for the same entitlement); payment to the wrong payee; U.S. Treasury check issue overdrafts; negotiation of both the original and a substitute U.S. Treasury check; negotiation of both the original and a recertified U.S. Treasury check; any payment based on fraudulent, forged, or altered documents prepared or presented by individuals who do not work in the disbursing office; or payment in violation of a regulation. There generally is no separate SF 1219 recording of erroneous payments similar to the requirements for recording physical losses of funds on lines 7.3 or 9.3 and they are not included on the DD Form 2667. In most cases, an erroneous payment is charged to a valid appropriation via the disbursement voucher and the payment has already been made. If an erroneous payment is recouped (or collected from an individual held liable for the payment), then the appropriation initially charged is credited for the amount recouped or collected. If no recoupment or collection is made, or if relief of liability is granted, then the appropriation charge remains as if it were valid. All replacement check double-payments and check issue overdraft

losses are reported under the erroneous payment category. Normally, dishonored checks received as accommodation transactions are treated as accommodation exchange losses as prescribed in Chapter 4 of this volume. If, however, improper disbursing office actions (not fraudulent) are associated with the dishonored checks (e.g., cashing for unauthorized personnel), then dishonored checks are treated as illegal, incorrect, or improper payments.

★ 060502. Reporting Erroneous Payments. Upon discovery or receipt of notification that an erroneous payment has occurred, the DO shall report the erroneous payment to his or her commander as prescribed in paragraph 060102, above. The commander shall convene or request an investigation into the circumstances surrounding the erroneous payment as prescribed in paragraph 060503 and section 0607, below. A copy of the report to the commander shall be provided to the appropriate entitlement functional area and the certifying officer. In addition, the DO shall initiate collection action against the recipient of the payment as prescribed in Chapters 29 and 30 of this volume and, in the case of commercial payments, Volume 10, Chapter 18 of this Regulation. If the erroneous payment is recouped from the recipient, then the proceeds shall be credited to the appropriation or fund charged when the payment was made. If the recipient of the erroneous payment does not voluntarily repay the erroneous payment within the time frames prescribed in the above references, the DO shall institute involuntary collection action as prescribed in Chapter 30 of this volume and in Volume 10, Chapter 18, of this Regulation. The DO, certifying officer, and/or other accountable officials involved in the erroneous payment each shall submit a request for relief of pecuniary liability for the payment as provided in section 0610, below, and Chapter 33 of this volume. In all cases, documentation supporting attempts to recover the erroneous payment from the recipient shall be included with any request for relief of liability.

060503. Investigation of Erroneous Payments. A formal investigation of erroneous payments is not mandatory unless fraud (on the part of the payee, disbursing office personnel, certifying officer or accountable official(s)) is suspected in connection with the payment. The commander (or convening authority) may determine that a formal investigation is necessary. If so, the convening authority shall assign the Investigation Board of Officers or Investigating Officer to gather additional information and determine responsibility. If no formal investigation is to be conducted, then investigatory comments are required, similar to those required in subparagraph 060402.C, above, for minor physical losses over \$300. The investigatory report, in letter or memorandum format, shall outline the facts concerning the payment, the reason(s) no formal investigation is considered necessary, whether relief of liability is recommended for the DO (and/or any other accountable individual(s)), and whether a request for relief is being submitted by the DO and/or other accountable individual(s).

## 0606 OVERAGES OF PUBLIC FUNDS

★ 060601. Recording Overages of Funds. Unless they obviously relate (and the relationship can be documented), do not offset any overage of funds against a physical loss of funds. For example, an obvious relationship usually can be determined if foreign currency on hand is short and U.S. currency on hand is over by equal U.S.-equivalent amounts (for example, an overage of \$431.18 against a loss of \$431.18 foreign currency). Do not offset apparently



related overages against shortages if the shortage and overage occur on different business days. Generally, an overage of funds shall be collected into the Budget Clearing Account \*\*F3875 pending a determination of where the overage properly belongs. Subsequently, if no proper location for the overage is determined, the overage shall be transferred from \*\*F3875 to the Treasury Department's receipt account, Forfeiture of Unclaimed Money and Property, \*\*R1060. Track overages by recording each occurrence on a separate DD Form 2667 maintained specifically for overages. NOTE: Unlike the cumulative DD Form 2667 maintained per paragraph 060202, above, to support specific lines on the DD Form 2657 and SF 1219, the DD Form 2667 for overages is a stand-alone document for tracking overages. Start a new DD Form 2667 for overages at the beginning of each quarter. When proper disposition of the overage is determined, be certain to record the disposition on the DD Form 2667. Forward a copy of the DD Form 2667 under a cover transmittal letter (similar to that shown in Figure 6-6) to the DCMO (Code DBD) not later than the 5th workday following the end of each calendar quarter and upon the DO's relief from disbursing duty, not later than the 5th workday following the date of relief. If the report is being submitted because of relief from disbursing duty, then the transmittal letter shall contain the statement: "Submitted due to relief of the DO effective (enter date relieved)."

060602. Preparation of DD Form 2667 as a Record of Overages of Funds. List each overage occurring during each day on the DD Form 2667. See Figure 6-7 for an example of DD Form 2667 prepared as a record of overages. Complete the form as follows:

- A. Item 1: DSSN. Enter the DSSN
- B. Item 2: Purpose of Record. Enter "Overage of Funds"
- C. Item 3: Name of Disbursing Officer. Enter the DO's name and rank
- D. Item 4: Address. Enter the DO's organization and address
- E. Item 5: Date. For each overage of funds, enter the date the overage was collected into a deposit fund account or miscellaneous receipt account, as appropriate
- F. Item 6: Reference or Explanation. For each overage, enter a brief description of the overage together with identification of the person responsible for the overage (if known); when disposition is determined, give a brief description
- G. Item 7: Increase. For each overage, enter the amount of the overage
- H. Item 8: Decrease. This item is not used on the DD Form 2667 maintained for overages
- I. Item 9: Balance. Enter the cumulative total of the overages shown in the record.

060603. Reporting Overages of Funds. The report and investigation requirements of paragraph 060103, above, are not required for overages of funds when there is no indication of fraud or other criminal act.

0607 INVESTIGATION OF IRREGULARITIES

060701. Appointment of Investigating Officer. The appointment of an investigating officer shall be made by the appropriate commander (or in the case of DFAS Centers and OPLOCs, the Center or OPLOC Director) citing this paragraph as authority. In those instances where the commander is not authorized to convene an investigation, the commander shall request an investigation through the chain of command. A thorough investigation shall be made by the investigating officer pursuant to this section. The investigating officer shall not be in the chain of command of the DO, certifying officer or accountable officials involved in the irregularity. Only those individuals who are familiar with investigative techniques and who have knowledge of the required internal controls, pertinent laws, and directives normally shall be appointed as investigating officers. If the appointed officer does not fully meet these requirements, technical guidance should be requested from the activity comptroller or staff judge advocate.

060702. Investigating Officer's Procedures

A. Information to be Developed

1. The investigating officer shall be instructed to develop all factual information in connection with the irregularity so that proper action may be taken by higher authority. This should include information regarding the procedures followed by all individuals involved in the irregularity, as well as safeguards and controls instituted for the entire period in which the irregularity occurred. Investigations of irregularities that involved travelers checks shall include serial numbers and photocopies (front and back) of the travelers checks. Appendix C of this volume is provided as a guide for investigating officers.

2. If possible, the investigating officer personally shall interview and obtain sworn statements from all persons who may have knowledge of the facts. Verbal testimony need not be reported verbatim but may be summarized by the investigating officer, sworn to and signed by the individual concerned. When sworn statements cannot be obtained, the investigating officer shall submit a statement giving the substance of the expected testimony and the reason for not obtaining a sworn statement. The investigating officer shall make an effort to resolve or clarify all apparent discrepancies or contradictions disclosed by the statements secured. The investigating officer also shall procure such documents, photographs, and affidavits from persons having knowledge of the facts as will show fully the circumstances surrounding the irregularity in question. Particular use should be made of previous investigations already conducted in the area by the DoD Component's investigative service (e.g., Criminal Investigation Division or Naval Investigative Service), Office of the Inspector General, and FBI reports. The investigating officer may also use statements made by concerned parties in the previous investigations without the necessity of reinterviewing such persons.

3. DOs, certifying officers and all accountable officials whose possible responsibility for the irregularity becomes an issue, shall be made parties in interest. Whenever it is recommended that an individual be denied relief from pecuniary liability, the person shall be afforded an opportunity to examine all evidence and to present in writing his or her rebuttal regarding the irregularity.

B. Findings. The investigating officer shall make the following findings.

1. For a Physical Loss that:

a. There (was) (was not) a loss to the United States in the amount of (include amount of loss)

b. The loss was not the result of an illegal, incorrect, or improper payment; a finding shall be made as to a deputy, agent, or cashier when either or all have responsibility for the funds involved in the loss

c. The loss was not the result of fault or negligence on the part of the accountable individual (i.e., DO, deputy, agent, or cashier)

d. The loss in the amount of (include amount of loss) (was) (was not) (proximately caused by the negligence of) (the result of larceny committed by) (insert name of individual) when the loss occurs in the internal account of a deputy, agent, or cashier, funds of the imprest fund cashier, custodian of change fund, or other individuals who are entrusted with funds.

e. The accountable individual (i.e., DO, deputy, agent, or cashier) (was) (was not) carrying out official duties when the loss or deficiency occurred.

NOTE: The investigating officer shall make any other findings that are considered necessary and appropriate. It is essential that all the above findings be supported by documentation and after each finding, reference shall be made by tab or page number to the supporting documentation.

2. For Illegal, Incorrect, or Improper Payments that:

a. There (was) (was not) a loss to the United States in the amount of (include amount of loss)

b. The loss was due to an illegal, incorrect, or improper payment

c. The payment (was) (was not) the result of bad faith or lack of reasonable care on the part of the DO or other accountable individual

d. The DO (has) (has not) diligently pursued collection action against the payee, beneficiary, or recipient of the illegal, incorrect, or improper payment

e. The accountable individual (i.e., DO, deputy, agent, cashier, certifying officer, or other accountable official) (was) (was not) carrying out official duties when the loss or deficiency occurred.

NOTE: The investigating officer shall make any other findings that are considered necessary and appropriate. It is essential that all of the above findings be supported by documentation, and after each finding, reference shall be made by tab or page number to the supporting documentation.

C. Recommendations. The investigating officer shall make recommendations for use by the reviewing authorities. These recommendations shall include the following, when appropriate:

1. Whether the DO, deputy, agent, cashier, certifying officer, or other accountable official (should) (should not) be relieved of pecuniary liability for the loss in the amount involved

2. Whether any other person or persons (should) (should not) be held pecuniarily liable for the loss, in whole or in part

3. The necessary corrective action that should be taken to effect improvement in procedures or internal controls

4. Any other recommendations considered necessary and appropriate in view of facts developed during the course of the investigation.

D. Adverse Findings. If the investigating officer recommends that the DO, certifying officer, or any other accountable official(s) be denied relief from pecuniary liability for the loss, then a copy of the report shall be provided to these individuals for the purpose of filing a written rebuttal if so desired. Refer to section 3307 of this volume for limitations on the pecuniary liability of an accountable official. This rebuttal may be in the form of a brief and/or additional witness statements. The rebuttal shall be in writing and attached as an exhibit to the report. Military counsel, if reasonably available, shall be furnished to those individuals desiring legal advice. A reasonable time not to exceed 30 days shall be allowed for the filing of the rebuttal.

E. Review and Disposition of Report

1. The reviewing authority shall be the commander (i.e., appointing authority). This may be delegated to the deputy commander, chief of staff, or comptroller. The reviewing authority may make such additional findings and recommendations as deemed pertinent to the investigation. In the event the reviewing authority recommends that relief from liability for the loss be denied and the individual has not been given the opportunity to make a

rebuttal, the reviewing authority shall set forth the reasons for his or her action. Also, the individuals adversely affected by his or her decision shall be afforded the right to rebuttal. The time period allowed for rebuttal shall not exceed 30 days. Upon return of the report to the reviewing authority, he or she shall reconsider his or her actions if a rebuttal has been submitted, to affirm or reverse his or her position.

★                   2.       The original and one copy of the report, including complete copies of all testimony and other exhibits, shall be forwarded through the reviewing authority's chain of command to the DCMO (Code DBD) within 90 calendar days after the loss has been discovered. When there is evidence of fraudulent or wrongful conduct and the matter is under investigation by the military police, DoD Component investigative service, and/or the FBI, the report should be held until the investigation is completed. Copies of the investigative reports should be added as exhibits before forwarding the report through the chain of command to the DCMO (Code DBD). If it appears that the 3-year statute of limitations will expire prior to the completion of the DoD Component investigative service or FBI investigation, the report immediately shall be forwarded to the DCMO (Code DBD). In all cases, the 90-calendar day suspense shall be met or an extension requested from the DCMO (Code DBD).

★                   3.       The reviewing authority shall furnish through the chain of command to the DCMO (DBD), any information that becomes available after the report of investigation has been forwarded.

★                   4.       The DCMO shall review the report. In all cases, the report shall be forwarded by the DCMO to the DFAS-Kansas City Center, Office of General Counsel, for review and concurrence (or nonconcurrence) of the recommendation. If the report lacks sufficient information (or in the absence of compliance with the provisions for the findings and recommendations), then the report shall be returned for further investigation and fulfillment of the provisions listed above. If the DCMO returns the report directly to the individual for review and to file a written rebuttal, the period allowed for response shall not exceed 30 days. If the report is complete and concurrence has been received by the Office of General Counsel, then it shall be forwarded to the DFAS Director for Finance with a recommendation to grant or deny relief. The DFAS Director of Finance shall make a final determination relevant to the question of relief from pecuniary liability of the DO and/or individuals involved in the loss. If the DFAS Director for Finance determines that the DO and/or any other individual should be denied relief from pecuniary liability for a loss, then the Director for Finance shall determine whether there was compliance with the right of rebuttal provisions cited above. Otherwise, the report shall be returned to DCMO to forward to the individuals concerned, setting forth the reason for the adverse determination. The time period allowed for filing rebuttals shall not exceed 30 days. Upon receipt of the report with such additional information as may be submitted, DCMO and DFAS-Kansas City Center, Office of General Counsel, shall review the report again. It then shall be forwarded to the DFAS Director for Finance by the DCMO.

0608 STATUTE OF LIMITATIONS ON ILLEGAL, INCORRECT, OR IMPROPER PAYMENTS

060801. General. The Comptroller General of the United States is required by 31 U.S.C. 3526 (reference (e)), to settle the accounts of disbursing officials within 3 years from the date of receipt of substantially complete accounts. As prescribed in Title 7 of the U.S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies (reference (n)), the beginning of the 3-year statutory period is generally considered to be the end of the period covered by the applicable SF 1219. Therefore, except in cases of unresolved Notices of Exception, settlement will occur, by operation of law, 3 years after the date that the SF 1219 is certified. In certain cases, as shown in paragraph 060802 below, however, the 3-year period begins after notice of the loss from the Treasury Department is received by the DoD Component. If the loss is due to embezzlement, fraud, or other criminal activity, the 3-year period does not begin until the loss has been discovered and reported to the appropriate DoD Component officials. Liability of an accountable individual is extinguished if all required actions are not completed within the prescribed 3-year time limit. This includes both raising a charge against the individual as well as granting or denying relief.

060802. Application. The following subparagraphs are examples of illegal, incorrect, or improper payments and the commencement date of the 3-year statute of limitations.

A. Overpayments, Payments to the Wrong Payee, and Payments in Violation of a Regulation. Use the date that the SF 1219, which includes the applicable paid vouchers, is certified.

B. Double Payments (Original and Substitute or Original and Recertified Treasury Checks - Both Negotiated). Use the date on which notice is received from the Treasury Department (SF 5515 or Daily Advice of Status) that the original check has been negotiated. In cases where the Treasury Department has provided credit for an outstanding check and the check is later negotiated, the 3-year statute starts on the date of receipt of the chargeback from the Treasury Department.

C. Alteration or Forgery of Treasury Checks. Use the date on which the SF 5515 or other notice of alteration or forgery is received from the Treasury Department.

D. Check Issue Overdraft. Use the date on which the Financial Management Service (FMS) Form 5206 is received from the Treasury Department.

E. Payments Resulting from Embezzlement, Fraud, or Other Criminal Activity of the Payee. Use the date on which the loss is discovered and reported to the appropriate DoD Component officials.

★ 060803. Extending the Statute of Limitations. If it appears that the 3-year statute of limitations will expire before an illegal, incorrect, or improper payment can be submitted for relief, then a request to extend the statute of limitations shall be initiated by the DO at least 6

months prior to the expiration of the 3-year time limit. This request shall be addressed to the DCMO (Code DBD) and routed through the chain of command. The request shall contain the following information:

- A. The name and rank or rate of accountable individual(s) involved
- B. An explanation as to why the illegal, incorrect, or improper payment documentation cannot be processed within the 3-year statute of limitations
- C. A description of how the illegal, incorrect, or improper payment occurred and, if appropriate, when it was shown in the DO's accounts
- D. A statement regarding the illegal, incorrect, or improper payment to include the voucher or check number, date paid or issued, name of individual(s) involved, amount paid on the voucher or check, and the amount of the improper payment.

#### 0609 RELIEF OF LIABILITY FOR IRREGULARITIES

060901. General. This section amplifies the general information provided in Chapter 1 of this volume. When an accountable individual incurs an irregularity as a result of a physical loss of funds or an illegal, incorrect, or improper payment, that individual may be granted relief of liability for the irregularity under the provisions of 31 U.S.C. 3527 (reference (e)) or this volume, as applicable.

★ 060902. Physical Loss of Funds. In Comptroller General Decision B-151156 (reference (u)), the Comptroller General of the United States ruled that the term “disbursing official” applies to all DoD personnel, whether military or civilian, to whom public funds are entrusted for the purpose of making disbursements. This application includes not only the DO, but also deputy DOs, disbursing agents, cashiers, agent cashiers, collection agents, paying agents, imprest fund cashiers, and change fund custodians. As stipulated in 31 U.S.C. 3527 (reference (e)), the Comptroller General shall relieve an official of the armed forces of liability for a physical loss of funds, vouchers, or records, or shall authorize reimbursement, from an appropriation or fund available for that purpose, of the amount paid by or on behalf of such official as restitution when:

- A. The Secretary of Defense determines that the official was carrying out official duties when the loss occurred
- B. The loss was not the result of an illegal, incorrect, or improper payment and
- C. The loss was not the result of fault or negligence by the official.

The finding of the Secretary of Defense is conclusive on behalf of the Comptroller General. In all cases of physical loss by disbursing officials, the Secretary of Defense is the relief authority,

regardless of the amount of the loss. The Secretary of Defense has delegated authority to the Director, DFAS, to act for the Secretary of Defense to make the required determinations and to grant or deny relief for all requests for relief of liability for physical losses submitted under the provisions of this volume. The Director, DFAS, has delegated this authority to the Director for Finance, DFAS.

★ 060903. Illegal, Incorrect, or Improper Payments. As provided in 31 U.S.C. 3527 and 31 U.S.C. 3528 (reference (e)), the Comptroller General shall relieve DOs and certifying officers of the Armed Forces of liability for deficiencies upon a finding that the following statutory standards are met. The determination of the Secretary of Defense that relief should be granted is binding on the Comptroller General. The Secretary of Defense has delegated authority to the Director, DFAS, to make the required determinations and grant or deny relief on all requests for relief of liability for illegal, incorrect, or improper payments submitted under the provisions of this volume. The Director, DFAS, has delegated this authority to the DFAS Director for Finance.

A. Statutory Standards for a Disbursing Official

1. The payment was not the result of bad faith or lack of reasonable care and
2. Diligent collection efforts by the disbursing officials and the agency were made.

B. Statutory Standards for a Certifying Official

1. The certification was based on official records and the official did not know, and by reasonable diligence and inquiry could not have discovered, the correct information
2. The obligation was incurred in good faith
3. No law specifically prohibited the payment
4. The U.S. Government received value for payment and
5. Diligent collection efforts were made to recover the payment.

C. Standards for Accountable Officials. Accountable officials appointed under the provisions of section 3305 of this Volume are responsible for providing accurate information, data or service to a certifying officer to support payment certifications.



0610 REQUESTS FOR RELIEF

061001. General. Except as provided elsewhere in this chapter for minor losses, requests for relief of liability normally shall be made by the accountable individual and shall comply with the requirements prescribed in this section and section 3309 of this volume. When the accountable individual is an agent of the DO (i.e., the deputy DO, disbursing agent, cashier, imprest fund cashier, or authorized custodian), that individual shall submit the request for relief through the DO responsible for the account. In addition, the officer designated to settle the accounts of a former DO may be required to request relief of liability on behalf of a former DO. The accountable individual generally should submit the request for relief within 30 days after all required investigative and/or, when appropriate, the DO's required collection efforts have been completed and the loss has been referred to the supporting DFAS Center for further collection action. A copy of the investigating officer's report shall be included as an attachment to the request for relief.

★ 061002. Format. Requests for relief of liability shall be in the form of a memorandum from the accountable individual. The memorandum requesting relief shall be addressed to the DCMO (Code DBD) through the applicable DO and the requestor's chain of command. The memorandum, and all forwarding endorsements thereto, shall provide the DCMO (Code DBD) with a complete report of the circumstances resulting in the deficiency and a reference to the findings of any fact finding body, report of investigation, or other proceeding.

061003. Specific Information Required. Specific information is necessary to provide a complete report of the circumstances resulting in the irregularity. When an irregularity occurs, there is a presumption of fault or negligence on the part of the DO and/or certifying officer. It is the responsibility of the individual(s) requesting relief to dispel any doubt that the irregularity was not due to any fault or negligence on their part. When not supplied in the findings of any court of inquiry, board of investigation, or court-martial, or other proceedings (including endorsements thereto), the following information shall be supplied and considered in the request for relief and/or the forwarding endorsements, as appropriate. Failure to include all the information required could contribute to an unfavorable consideration of a request for relief.

A. The specific duty assignment of the accountable individual when the irregularity occurred

B. A statement showing when, how, and by whom the irregularity was discovered

C. A description of the actions taken to verify the irregularity and establish how the irregularity occurred

D. A statement of when the last cash count and balancing was effected prior to discovery of the irregularity

E. The prevailing circumstances when the irregularity occurred, e.g., volume of money handled, volume of transactions, number of personnel handled, complexity of transactions, actual operating conditions, and whether a shortage of disbursing personnel existed

F. A copy of the appropriate standard operating procedures in effect at the time the irregularity occurred (If no written procedures are available, then a statement shall be prepared setting forth the known and utilized procedures at the time the irregularity occurred)

G. A statement indicating whether pertinent regulations and instructions were followed or, if not followed, an explanation and justification for any omissions and deviations

H. A statement of past involvement, if any, by the individual requesting relief in any prior irregularities

I. A statement indicating whether theft or other criminal act may have been involved

J. A description of the manner in which the irregularity is being carried in the DO's account and the identity of the DO.

061004. Forwarding Endorsements. Each addressee in the requestor's chain of command (including the DO) shall provide a forwarding endorsement and shall include a specific opinion as to whether the irregularity occurred while the accountable individual was in the line of duty and without fault or negligence. A specific recommendation as to whether relief should be granted also shall be included as a part of the forwarding endorsement.

★ 061005. Review of Request for Relief. Upon receipt, the DCMO shall review the request for relief, all endorsements, and the report of investigation for completeness and validity. If the request (or endorsements) are not considered adequate, then further information shall be requested. Prior to requesting further information, the DFAS-Kansas City Center, Office of General Counsel, will review all documentation, ensuring that additional requests for information are minimized. Relief of liability shall not be granted or denied without review and coordination of the DFAS-Kansas City Center, Office of General Counsel.

★ 061006. Relief Granted. If relief is granted, then the DCMO shall provide a memorandum of instruction for removal of the deficiency.

061007. Funding for Removal of Irregularities

A. General. In all cases, the ideal method for resolving an irregularity is recovery from the beneficiary of the irregularity (e.g., recovery of missing cash from the finder, recoupment from the payee in cases of overpayment or double payments; or in cases where the accountable individual is denied relief of liability, collection from the accountable individual). Prior to establishment of the DFAS, each DoD Component with disbursing authority maintained appropriated funds to resolve irregularities. Since establishment of the DFAS, some disbursing

offices have been capitalized by DFAS and some are under DoD Component authority. In addition, under capitalization, military members and civilian employees of the supported DoD Components have been or will be appointed to some of the accountable positions at capitalized DFAS disbursing offices. The following subparagraphs establish the funding responsibilities when relief of liability is granted and where the ideal method of recovery is otherwise not possible.

B. Physical Loss of Funds. Physical losses of funds are carried on line 7.3 of the DO's SF 1219. When the losses cannot be recovered (including those instances where relief of liability has been denied and recoupment cannot be made from the accountable individual) or relief of liability is granted to the accountable individual, appropriated funds shall be made available to remove the deficiency from the DO's SF 1219. If the accountable individual (the individual responsible for the loss of funds) was a DFAS employee or a military member assigned to the DFAS when the loss occurred, then the DFAS shall identify the appropriation and funding necessary to resolve the irregularity. If the accountable individual was a member or employee of another DoD Component when the loss occurred, that DoD Component shall identify the appropriation and funding necessary to resolve the irregularity.

C. Illegal, Incorrect, or Improper Payments. As a general rule, losses due to illegal, incorrect, or improper payments are not carried on the DO's SF 1219 as a loss of funds since an appropriation was charged when the payment in question was made. There are, however, exceptions to this general rule. For example, an exception occurs when the Treasury Department issues check issue overdrafts against a DSSN. If the illegal, incorrect, or improper payment is not, or cannot be, recovered from the recipient, the DO, certifying officer and/or accountable official(s) responsible for the irregularity shall repay the irregularity or request relief of liability. If relief of liability is denied, then the loss shall be collected from the DO, certifying officer and/or accountable officials involved and the proceeds credited to the appropriation originally charged for the payment. If relief of liability is granted, then the loss cannot be recovered from the recipient. In some cases, the liability of the accountable individual is extinguished by operation of the 3-year statute of limitations. Consequently, the amount of the illegal, incorrect, or improper payment normally remains charged to the appropriation charged when the payment was made. If an adjustment to the appropriation account to which the payment was charged is determined necessary, as provided in Title 7 of the U.S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies (reference (n)), then the amount of the illegal, incorrect, or improper payment shall be charged as provided in subsection (d)(1) of 31 U.S.C. 3527 (reference (e)).

061008. Relief Denied. If relief is denied, then the commander shall take immediate collection action against the accountable individual. Procedures for effecting collection of irregularities are prescribed in Chapter 29 of this volume. Procedures for processing and accounting for collections of irregularities are prescribed in Chapter 19 of this volume.

<b>LOSS OF FUNDS OVERVIEW</b>					
<b>TYPE</b>	<b>DEFINITION</b>	<b>REPORTING REQUIREMENT</b>	<b>TIME LIMITATION</b>	<b>INVESTIGATION REQUIRED</b>	<b>COMMANDER/DFAS CENTER ACTION</b>
MINOR PHYSICAL	Loss of less than \$750 without any evidence of fraud internal to the accountable function	1. DO reports loss to Commander, and  2. Reports loss on DD Form 2667 (Quarterly Minor Loss Report)  3. DD Form 2667 mailed quarterly to DCMO no later than 5 <sup>th</sup> workday following end of quarter	1. Within 24 hours	1. If under \$300, written investigatory report by DO or primary deputy DO  2. If over \$300, written investigatory report by someone other than the disbursing officer or disbursing personnel	
MAJOR PHYSICAL	Loss of \$750 or more or any physical loss where there is evidence of fraud within the accountable function	1. Written report by DO to commander  2. Written report by commander to DCMO through chain of command (to include DFAS Center)	1. Within 24 hours  2. Upon notification	1. Formal investigation by investigative board/officer  2. Criminal investigation, if warranted	1. Appoint investigative board/officer  2. Provide DCMO with a copy of the appointment
ILLEGAL, INCORRECT, OR IMPROPER PAYMENT	1. Overpayment of payee  2. Two or more payments to payee for same entitlement  3. Payment to wrong payee  4. U.S. Treasury check issue overdraft (in some instances)  5. Negotiation of both original and substitute/replacement checks  6. Any payment based on fraudulent, forged, or altered documents prepared or presented by individuals who do not work in disbursing office  7. Payment made in violation of regulation	1. DO reports to commander and takes aggressive collection action  2. If unable to recoup within 90 days, DO shall submit request for relief to DCMO through chain of command (to include DFAS Center)	If all required actions are not completed within a prescribed 3-year time limit, liability of DO is extinguished	1. Formal investigation required if fraud suspected on the part of the payee and/or disbursing office personnel or if commander determines necessary  2. If no formal investigation conducted, written investigatory report	1. Appoint investigative board/officer  2. Provide DCMO with a copy of the appointment

★Figure 6-1. Loss of Funds Overview

LOSS OF FUNDS OVERVIEW					
TYPE	DEFINITION	REPORTING REQUIREMENT	TIME LIMITATION	INVESTIGATION REQUIRED	COMMANDER/DFAS CENTER ACTION
OVERAGES	Funds held in an amount greater than the amount shown to be on hand by the daily accountability records	1. DO reports overage on separate DD Form 2667  2. DD Form 2667 mailed quarterly to DCMO no later than 5 <sup>th</sup> workday following end of quarter	Upon discovery	No requirement when there is no indication of fraud	

★Figure 6-1. Loss of Funds Overview (Continued)

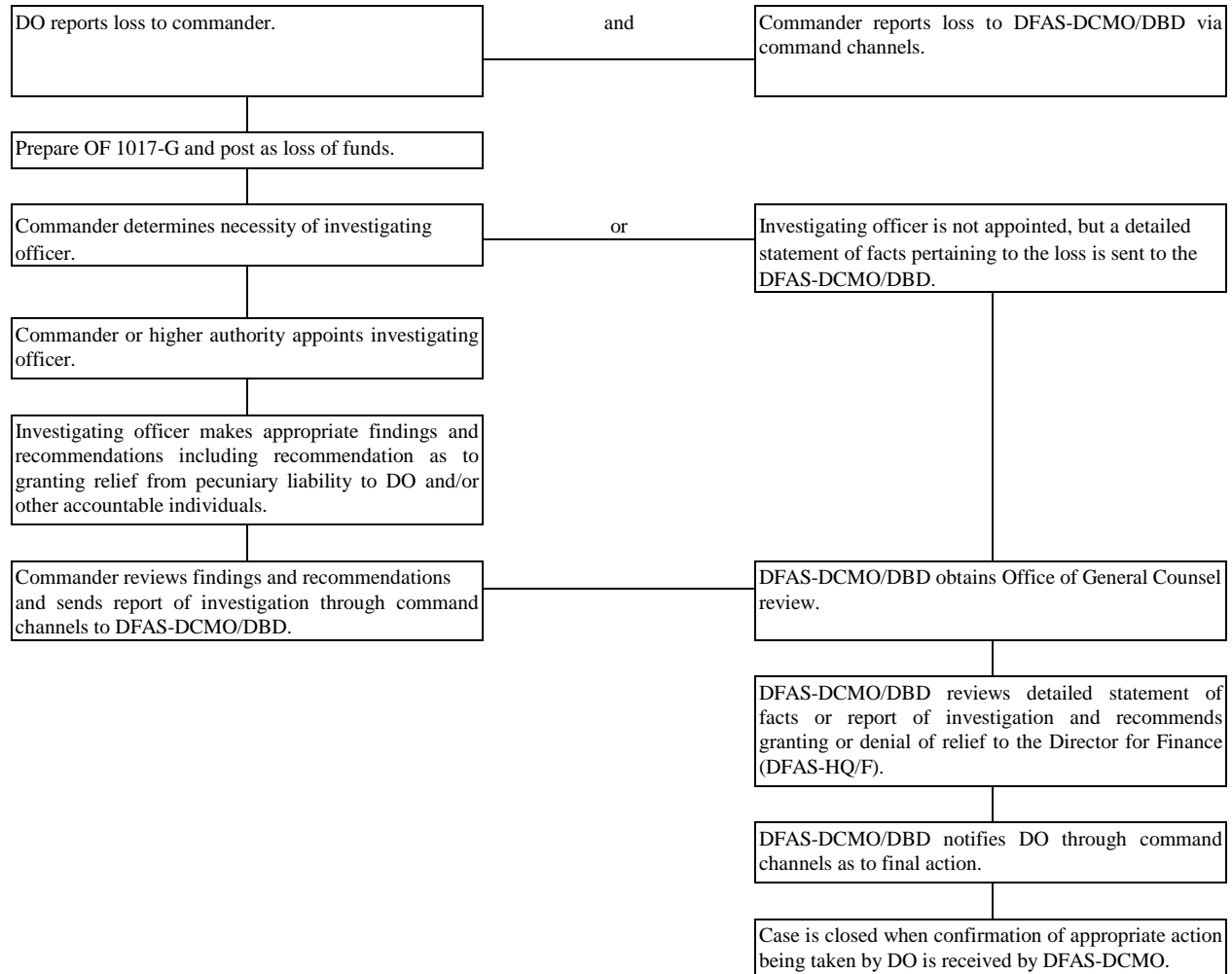
```

graph TD
    Start([Start]) --> Step1[DO verifies account for accuracy of transactions recorded and processed since last balancing.]
    Step1 --> Step2{DO finds error.}
    Step2 -- YES --> Step3[DO records loss on DD Form 2657 and SF 1219.]
    Step2 -- NO --> Step3
    Step3 --> Step4[DO reports loss to Commander within 24 hours after discovery and requests Cash Verification Team review.]
    Step4 --> Step5{Cash Verification Team finds error.}
    Step5 -- YES --> Step6[DO corrects error in all records. Case is closed.]
    Step5 -- NO --> Step7{Loss is less than $750.}
    Step7 -- YES --> Step8{Fraud or criminal act indicated.}
    Step7 -- NO --> Step9[Commander reports loss to DFAS-DCMO/DBD and convenes or recommends investigation.]
    Step8 -- NO --> Step10[DO performs informal investigation.]
    Step8 -- YES --> Step11[Informal investigation performed by someone outside disbursing office.]
    Step10 --> Step12[DO requests relief of liability via quarterly minor loss report.]
    Step11 --> Step12
    Step12 --> Step13{Relief granted.}
    Step13 -- YES --> Step14[DFAS-DCMO/DBD will provide instructions to DO for removal of loss from DD Form 2657 and SF 1219. If loss previously recovered by collection from accountable individual, instructions for refund to accountable individual will be provided.]
    Step13 -- NO --> Step15[DO and/or other accountable individual may request relief of liability.]
    Step15 --> Step16[Commander reports loss to DFAS-DCMO/DBD and convenes or recommends investigation.]
    Step16 --> Step17[Investigating officer makes appropriate findings and recommendations including recommendation as to granting relief of liability to DO and/or other accountable individual(s).]
    Step17 --> Step18[Commander reviews findings and recommendations, endorses, and forwards investigation to DFAS-DCMO/DBD through command channels.]
    Step18 --> Step19[Commander initiates collection action against accountable individual based on investigation.]
    Step19 --> Step20[DO and/or other accountable individual may request relief of liability.]
    Step20 --> Step21[DFAS-DCMO/DBD will direct commander to initiate immediate collection action against accountable individual. If loss previously collected, Commander and accountable individual will be notified of denial or relief request.]
    Step21 --> End([End])

```

6-30

### PROCESSING LOSSES OF FUNDS DUE TO ILLEGAL, INCORRECT, OR IMPROPER PAYMENTS



★Figure 6-3. Summary of Actions on Loss by Illegal, Incorrect, or Improper Payment

[illegible]

DD Form 2667, AUG 93

**Figure 6-4. Sample DD Form 2667, Subsidiary Accountability Record  
(Cumulative Loss of Funds)**



SUBSIDIARY ACCOUNTABILITY RECORD				
1. DSSN 5040	2. PURPOSE OF RECORD Minor Loss of Funds Report, 1 Oct - 31 Dec 20XX			
3. NAME OF OFFICER Kevin Brown, Capt, USAF			4. ADDRESS 3415 CPTS/ACF, Smith AFB, CO 80279-5260	
5. DATE	6. REFERENCE OR EXPLANATION	7. INCREASE	8. DECREASE	9. BALANCE
10/3/XX	SSgt John Overly (Cashier Loss)	12.00		12.00
10/14/XX	MSgt Ted Jones (Disb. Agent Loss)	23.70		35.70
10/20/XX	Harry Smith (Cashier Loss)	1.00		36.70
10/30/XX	SSgt John Overly (Cashier Loss)	.37		37.07
11/4/XX	R. Sharp (Paying Agent Loss)	100.00		137.07
11/9/XX	John Davis (Cashier Loss)	1.35		138.42
11/15/XX	Dee Jones (Cashier Loss)	40.00		178.42
11/18/XX	Bob Thompson (Cashier Loss)	23.00		251.42

DD Form 2667, AUG 93

**Figure 6-5. Sample DD Form 2667, Subsidiary Accountability Record  
(Quarterly Minor Loss Report)**

USE APPROPRIATE LETTERHEAD	
REPLY TO ATTN OF	ACF  January 3, 20XX
SUBJECT	Minor Loss of Funds Report, October 1 - December 31, 20XX
TO	DCMO/DB Denver, CO 80279-5000  1. Attached is a DD Form 2667 detailing minor losses of funds for the quarter ended December 31, 20XX that is submitted in accordance with the <u>DoD Financial Management Regulation</u> , Volume 5, subparagraph 060402.F. Investigation of losses associated with this report disclosed evidence that there has been no fraud, intent to defraud, or other misconduct on the part of myself or other accountable individuals within this organization.  2. As evidenced by the attached investigatory reports, all losses associated with this report are considered to be within the accountable individual's line of duty.  3. Please direct questions, comments, or further discussion of the attached report to Mr. J. Johnson, Deputy, DSN 965-2138.  KEVIN BROWN, Capt, USAF Disbursing Officer  Attachment DD Form 2667 w/atch  cc: HQ TAC/ACF  (NOTE: If this is an out-of-cycle submission, add the following paragraph to the above: "This report is submitted due to relief of the DO on <u>(enter date of relief)</u> ." )

**Figure 6-6. Sample Transmittal Letter for Quarterly Minor Loss Report**

[illegible]

DD Form 2667, AUG 93

**Figure 6-7. Sample DD Form 2667, Subsidiary Accountability Record  
(Overage of Funds Record)**